



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
SIMPSON COUNTY TOURISM COMMISSION**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SIMPSON COUNTY TOURISM COMMISSION

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Simpson County Tourism Commission audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$8,122 from the prior fiscal year, resulting in a fund balance of \$176,483 as of June 30, 2000.

Deposits:

The tourism commission's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Members of the Simpson County Tourism Commission
Kentucky Hotel and Motel Association
Kentucky Restaurant Association
Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances of Simpson County Tourism Commission, a component unit of the Simpson County Fiscal Court, as of June 30, 2000, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended. These general purpose financial statements are the responsibility of the Simpson County Tourism Commission. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances of Simpson County Tourism Commission, and the related statement of revenues, expenditures, and changes in fund balances as of and for the year ended June 30, 2000, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2001, on our consideration of Simpson County Tourism Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Members of the Simpson County Tourism Commission
Kentucky Hotel and Motel Association
Kentucky Restaurant Association
Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 12, 2001

SIMPSON COUNTY TOURISM COMMISSION MEMBERS

Fiscal Year Ended June 30, 2000

Tourism Commission Members:

Donna Houston	Chairman
Scott Guthrie	Treasurer
W. B. Adams	Board Member
Kelly Harding	Board Member
Carol Howard	Board Member
Judy Long	Board Member
Charles McCutchen, Sr.	Board Member

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STATEMENT OF ASSETS,
LIABILITIES, AND FUND BALANCES

SIMPSON COUNTY TOURISM COMMISSION
STATEMENT OF ASSETS,
LIABILITIES, AND FUND BALANCES
June 30, 2000

Assets and Other ResourcesAssetsGovernmental Fund TypeSpecial Revenue Fund Type

Tourism Commission Fund:

Cash	\$ 162,083
Receivable From Simpson County Fiscal Court (Note 4)	19,300

Account GroupGeneral Fixed Assets

Tourism Commission Fund:

Land (Note 5)	\$ 74,500	
Construction In Progress - Building (Note 5)	87,030	161,530

Total Assets and Other Resources	<u>\$ 342,913</u>
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Liabilities and Fund BalancesLiabilitiesGovernmental Fund TypeSpecial Revenue Fund Type

Tourism Commission Fund:

Accounts Payable	<u>\$ 4,900</u>
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Total Liabilities	<u>\$ 4,900</u>
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The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY TOURISM COMMISSION
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
June 30, 2000
(Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Investments In General Fixed Assets:

Account Groups

General Fixed Assets

Tourism Commission Fund (Note 5)	\$ 161,530
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Reserved:

Governmental Fund Type

Special Revenue Fund Type

Tourism Commission Fund (Note 8)	<u>176,483</u>
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Total Fund Balances	<u>\$ 338,013</u>
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Total Liabilities and Fund Balances	<u><u>\$ 342,913</u></u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES

SIMPSON COUNTY TOURISM COMMISSION
STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES

Fiscal Year Ended June 30, 2000

	Special Revenue <u>Fund Type</u>
	Tourism Commission <u>Fund</u>
<u>Revenues</u>	
Schedule of Operating Revenue	<u>\$ 124,745</u>
Total Revenues	<u>\$ 124,745</u>
<u>Expenditures</u>	
Comparative Schedule of Final Budget and Budgeted Expenditures	<u>\$ 132,867</u>
Total Expenditures	<u>\$ 132,867</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (8,122)
Fund Balance - July 1, 1999	<u>184,605</u>
Fund Balance - June 30, 2000	<u><u>\$ 176,483</u></u>

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

The Simpson County Tourism Commission (commission) was formed as a result of enabling legislation passed by the General Assembly of the Commonwealth of Kentucky. By action of the Simpson County Fiscal Court, an ordinance was enacted in 1992, establishing the Simpson County Tourism Commission and the transient room tax. The purpose of the commission is to promote convention and tourism activity. KRS 91A.360 allows the commission to elect from its membership a chairman and a treasurer, and it may employ personnel and make contracts necessary to carry out its purpose. The contracts may include, but shall not be limited to, the procurement of promotional services, advertising services, and other services and materials relating to the promotion of tourist and convention business.

The commission's purpose is to direct the promotion of tourism and convention activities of the Simpson County service area. The commission's objectives are:

- To increase business to every establishment which directly or indirectly serves the convention/and/or traveling public;
- To encourage those servicing the traveling public to always render a high standard of performance and to levy charges proportionate to the quality and quantity of service and/or products supplied;
- To extend the hand of welcome to all visitors, and visitor prospects, in keeping with the highest traditions of hospitality expected of our area and in keeping with fair and honest business practice; and
- To provide leadership and/or seek funding to involve those establishments serving the traveling public in projects and programs which enhance and advance our community and simultaneously provide for expansion of convention and/or tourist business in Simpson County.

The commission membership consists of seven people appointed by the County Judge/Executive in Simpson County.

- Two members from a list submitted by the local hotel/motel association;
- Two members from a list submitted by the local restaurant association;
- One member from a list submitted by the Chamber of Commerce; and
- Two members appointed by the County Judge/Executive.

Board members are initially appointed for terms as follows:

- Two for the term of three years;
- Two for the term of two years; and
- Three for the term of one year.

Subsequent appointments shall be for three-year terms. Board members may be removed for cause.

SIMPSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity

- 1) The financial statements of Simpson County Tourism Commission include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.
- 2) The Simpson County Tourism Commission is included as a component unit of the Simpson County Fiscal Court. The Simpson County Tourism Commission is fiscally dependent on the Simpson County Fiscal Court. The Fiscal Court levies and collects the transient room tax, the Tourism Commission's major source of revenue (Note 1. C.). The Simpson County Fiscal Court includes the Simpson County Tourism Commission's audit report as an appendix of the Fiscal Court's audit report.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds and account groups to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Simpson County Tourism Commission's Fund Types, a definition of each, and funds included within each fund type are listed below.

1) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Tourism Commission Fund of the Simpson County Tourism Commission is reported as a Special Revenue Fund Type.

2) General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations. Capital outlays in funds other than proprietary funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

SIMPSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the Tourism Commission uses a current financial resources measurement focus and utilizes a modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

The major source of revenue of the Tourism Commission is the transient room tax received from the Simpson County Fiscal Court. On March 31, 1992, the Simpson County Fiscal Court enacted an ordinance imposing a transient room tax. The Simpson County Fiscal Court currently collects "3% of the rent for every occupancy of a suite, room or rooms, charged by all persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses." Since the transient room tax was enacted to "be used for the operation of the local Tourist and Convention Commission to promote convention and tourist activity in Simpson County, Kentucky," the Simpson County Fiscal Court pays all money collected for the transient room tax over to the Simpson County Tourism Commission monthly.

D. Legal Compliance - Budget

The Simpson County Tourism Commission budget is as required by the State Local Finance Officer. The Tourism Commission is required to file an annual budget with the fiscal court by June 1 of each year. The budget is prepared by fund, function, and activity. The commission prepared a proposed budget for fiscal year ended June 30, 2000. We were not able to find approval for a final budget in the minutes. The budget was not submitted to the Simpson County Fiscal Court for approval.

E. Fiscal and Financial Procedures

The fiscal and financial procedures are:

- The fiscal year of the commission begins on July 1 and ends June 30 of the following year.
- The funds of the commission are derived from transient room taxes authorized by KRS; and are limited by statute not to exceed three percent. Supplemental funds may be derived from the Kentucky Matching Funds Program as permitted by statute and that agency's guidelines; and from such additional sources as the commission may from time to time approve.
- There shall be no dollar limit on budget-approved expenditures except that competitive bids will be obtained on intended purchases at, or above, the statutory limit (\$10,000), and in full accord with statutory provisions.
- The chairman will, after approval of the commission, sign all contracts, deeds, and other legal documents on behalf of the commission.

SIMPSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Fixed Assets

Fixed assets used in governmental fund types of the Tourism Commission are recorded in the general fixed assets account group. Fixed assets that are purchased or constructed are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated. Assets in the general fixed assets account group are not depreciated.

Note 2. Employee Retirement System

The Simpson County Tourism Commission does not participate in a retirement system.

Note 3. Deposits

The commission maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the commission and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the commission's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the commission's agent in the commission's name, or provided surety bond which named the commission as beneficiary/obligee on the bond.

SIMPSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Receivable

As of June 30, 2000, the Simpson County Tourism Commission was due \$19,300 from the Simpson County Fiscal Court for the transient room tax. The \$19,300 represents amounts due from the local hotels/motels for May 2000 and June 2000.

Note 5. Fixed Assets

Activity in the general fixed assets account group for the Tourism Commission for the year ended June 30, 2000, was as follows:

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Land	\$ 75,000	\$ 0	\$ (500)	\$ 74,500
Construction In Progress - Building		87,030		87,030
Total General Fixed Assets	<u>\$ 75,000</u>	<u>\$ 87,030</u>	<u>\$ (500)</u>	<u>\$ 161,530</u>

Note 6. Excess of Expenditures Over Appropriations

For the year ended June 30, 2000, expenditures exceeded appropriations in the Tourism Commission Fund by \$35,667. This overexpenditure was funded by available fund balance.

Note 7. Insurance

The commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the commission carries commercial insurance.

Note 8. Reserved Fund Balance

Reservations of fund balance represent amounts that are legally segregated for a specific purpose. The fund balance of the Tourism Commission Fund is reserved because these funds are legally restricted to be used for promoting convention and tourist activity in Simpson County, Kentucky.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

SIMPSON COUNTY TOURISM COMMISSION
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>Special Revenue Fund Type</u>			
Tourism Commission Fund	\$ 97,200	\$ 124,745	\$ 27,545
Totals	<u>\$ 97,200</u>	<u>\$ 124,745</u>	<u>\$ 27,545</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 97,200
Add: Budgeted Prior Year Surplus			
Less: Other Financing Uses			<u> </u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 97,200</u>

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SCHEDULE OF OPERATING REVENUE

SIMPSON COUNTY TOURISM COMMISSION
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	GOVERNMENTAL <u>FUND TYPE</u>
	Special Revenue <u>Fund Type</u>
<hr/>	
REVENUE:	
Intergovernmental Revenues	\$ 114,956
Miscellaneous Revenues	300
Interest Earned	<u>9,489</u>
Total Operating Revenue	<u><u>\$ 124,745</u></u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

SIMPSON COUNTY TOURISM COMMISSION
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Recreation and Culture	\$ 86,109	\$ 44,746	\$ 41,363
Capital Projects	10,000	87,030	(77,030)
Administration	1,091	1,091	
TOTAL BUDGET - ALL SPECIAL REVENUE FUND TYPE	\$ 97,200	\$ 132,867	\$ (35,667)

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the general purpose financial statements of Simpson County Tourism Commission, a component unit of Simpson County Fiscal Court, as of and for the year ended June 30, 2000, and have issued our report thereon dated June 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Simpson County Tourism Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Simpson County Tourism Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 12, 2001

